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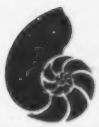

ECONOMIC FORECASTING CENTER

MONTHLY PROJECTIONS
May 1991

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YES, THERE IS A RECOVERY; BUT IT IS WEAK

Just as the debate lingered over whether the economy had fallen into recession, substantial discussion will precede the declaration that the recession is over. This is especially true for this recession, because no engine of economic growth is apparent. While the Federal Reserve has abandoned tight monetary policy by allowing M2 to grow 5.1% in the second quarter according to our PROJECTIONS, claims of substantial reliquification clearly are overblown. The only shift in budgetary policy has developed from the absorption of excise tax increases at the beginning of this year. Indeed, further tax increases will restrain spending activity for higher income taxpayers subject to the $125,000 medicare tax later this year. Certainly, this is not a policy induced economic recovery.

The trade engine, which moderated the decline, is beginning to sputter. Exports fell slightly during the winter, but the recession caused imports to fall even more. However, exports showed some strength in March, the last available month. When the recovery begins, further gains in trade are not likely unless renewed export growth develops. Yet, Asia and Europe are slowing, and the growth in Latin America and Africa simply will not be sufficient to offset those declines (although they are regions in which the United States does well.) Furthermore, the dollar's rally since February has substantially reduced American competitiveness. Partially offsetting the currency shift is the continued cost-cutting in American manufacturing that is lowering unit labor costs. By contrast, Japan has accepted its largest wage increases in ten years during the latest Spring wage offensive, while labor problems are heating up in Germany. Even so, a moderate improvement in cost containment currently is being overwhelmed by the 30% annualized gain in the dollar during the spring.

Also, state and local governments are continuing to slow the growth of services and raise taxes in order to balance their budgets. Instead of stimulating economic activity, the combined impact of reduced defense spending and reduced stimulus from other governments may actually retard activity.

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Indeed, without an engine of growth, questions have been raised about why recovery should occur. The answer is that forces which held the economy down are beginning to dissipate. Also, internal economic dynamics, such as inventory adjustments, are through their restraining phase and are shifting to a stimulus phase. Also, falling interest rates are causing the interest sensitive parts of the economy to stir, if only slightly. One major forecasting service has maintained that the interest sensitive and inventory adjustment processes will be sufficient to end this recession, but without an engine of growth, the next recession may start before the end of 1992. This is an unlikely outcome, but it is possible.

What are those recessionary forces that are beginning to subside?

First, the credit crunch that caused bank loans to fall sharply and restrict the demand for money appear to be moderating slightly. One of the causes of this crunch was the demand by regulators that commercial banks realign their assets with their capital to avoid the problems created by the thrifts. This meant reducing dividends, raising capital, selling off assets, and reducing loan activity. Some capital raising has occurred. Also, the unusually large interest rate spreads have permitted banks to raise their operating earnings to partially offset their portfolio losses. In some cases, this has been sufficient to permit further lending activity. A recent survey by the Federal Reserve revealed that no banks currently are tightening their lending criteria, although many continue to use unusually tough lending qualifications. Actually, loan activity remains sluggish, with commercial and industrial loans as measured by the St. Louis Federal Reserve down 4.5% from the previous year. Nevertheless, anecdotal evidence and the improved profitability of banks suggest that loan activity will begin to improve.

Second, the wartime uncertainties clearly are over. Although consumer confidence again subsided following the March euphoria, sentiment once again is tracking economic conditions. When those conditions improve, so will the outlook of the consumer. In the meantime, auto dealers are experiencing increased sales even if unit auto sales remain sluggish because rental fleets are holding their cars longer before selling them as used cars. Even this shift in purchasing tactics by fleets should no longer restrain auto sales. Also, sales of nonauto durables have rebounded strongly. Certainly, a continuation of strong gains is not likely. In the meantime, reports that the consumer is not willing to aid the recovery are overstated. Our projections of sales of nonauto durables shows an 11.2% gain for the spring while sales of auto dealers are projected to increase 15.8% in sales.

Third, the cost excesses that undermined profit growth and discouraged corporate spending are being squeezed out of the economy. Hours worked have continued to decline more substantially than economic activity. As a result, operating profits less tax liability actually increased during the fourth quarter. They declined during the winter, but only by an annualized 3%. Another small decline is expected in the spring. Yet, these are unusually low declines for a recession and reflect the cost cutting that has stamped this decline.

The case for a lessening of restraint from the construction and debt overhang are less compelling. Nonresidential construction continues to fall significantly. More significantly, the Dodge estimates of construction contracts continue to decline by 12% from previous year levels so far this year. Normally, these contracts anticipate expenditures six to nine months down the road. Nevertheless, activity has fallen so dramatically that vacancy rates no longer are rising significantly even during a recession. For example, even with anemic sales of single family homes, inventories are only 7.4 months of sales. While this is above normal, the ratio has been declining since the year began. Apartment vacancy rates are 7.6%, up slightly from last year but down significantly from a 1989 peak of 8.3%. Even commercial space is stabilizing at a high 20% vacancy rate. While none of these figures suggest that the construction slump is over, the degree of decline certainly should be lessening. Moreover, some recovery in housing is beginning to develop.

The debt overhang also appears to be diminishing for households and corporations. During the fourth quarter, private debt grew less than 6% at an annual rate. Since then, households have been liquidating installment debt for the latest four months. Corporations have been substantially increasing their equity offerings to remove excessive debt from their balance sheets. Certainly, debt continues to grow in proportion to economic activity, which barely expanded in the past two quarters. Again, however, an economic upturn should rapidly increase the capacity to finance debt even as the stock of debt should continue to slow.

Even if debt and construction adjustments are not completed, the degree of economic displacement already created to come to grips with those problems may be sufficient. While no surge in corporate spending or consumer activity may develop, further contraction also may not be necessary.

Based upon those improving conditions, an economic upturn should begin soon. According to the leading indicators, which lead only by two or three months in economic recoveries, the rebound is about now. Other data show that the decline definitely is diminishing. Initial unemployment claims have slowed to 445,000 in the latest week. A downtrend has been observed since the middle of March, when claims reached a recession high of 519,000. Although employment continues to decline, the latest claims are consistent with only a weekly fall of 5,000. Further claims decline will mean employment gains in the weeks ahead.

The upturn in orders for electric machinery and electronic components also suggests some activity is stirring. The book to bill ratio in the semiconductor industry is well above one and has reached its highest point in several years. Building permits have been trending upward for three months. And the leading indicators now have three consecutive months of gains. In addition, falling interest rates should lower some financing costs and raise some desires to purchase interest sensitive goods. Also, consumer prices are now growing more slowly than hourly earnings. This should provide enough real purchasing power for those working to offset the lost spending power suffered by those laid off.

Certainly, the forward looking stock, bond, and foreign exchange markets all believe a recovery is imminent if not already in place. Through March favorable stock values probably reflected the favorable outcome of the war and declining interest rates. Long-term interest rates no longer are declining, suggesting that a recovery is anticipated. However, this also improves the earning potential of stocks. While earnings and interest rate changes are offsetting, the latest surge in stock values clearly indicates that earnings improvement is expected to be more important. Also, lower quality bonds have outperformed high grade bonds, also indicating that a recovery is likely. (Even the leadership of stocks, with cyclicals such as metals and autos surging while drug and consumer stocks are struggling, suggests that an economic recovery is expected.) Finally, the dollar's strength reflects the belief by international investors that returns will be stronger here than elsewhere. (Of course, the payment of wartime finance pledges and the shrinking of the trade deficit also contributed to the dollar's strength.)

Our latest estimates indicate that the recovery will begin in June. Improving inventory investment, rising consumption and improving housing should provide enough impetus to add employment and stabilize fixed investment. Yes, uncertainties remain, especially if inflation rebounds and profits are squeezed more than currently projected. A sharp decline in export activity also could derail the recovery. That is why any upturn will be unusually mild. Unemployment will exceed 7% before gradually subsiding next year. Indeed, the stock market may already have discounted a normal recovery, when an anemic upturn is more likely. If so, some correction in stock evaluations should be anticipated. Nevertheless, employment probably already is rising as you read this report.

Monthly Statistical Highlights

	MAY 1991	JUNE 1991	JULY 1991
Payroll Employment	-37,000	43,000	65,000
Index of Hours Worked	-0.1	0.1%	0.1%
Household Employment	-252,000	9,000	41,000
Civilian Unemployment Rate	6.8%	6.9%	6.9%
Personal Income	0.2%	0.7%	0.5%
Savings Rate	3.4%	3.7%	3.7%
Personal Consumption	0.4%	0.5%	0.5%
Retail Sales	0.3%	0.4%	0.4%
Auto Sales	8.4*	8.5*	8.6*
Housing Starts	3.2%	1.8%	-0.2%
Housing Permits	-0.3%	1.3%	1.5%
Construction Expenditures	-0.1%	1.4%	0.7%
Business Inventories	0.2%	0.3%	0.2%
Orders for Durable Goods	2.7%	-0.9%	0.3%
Orders - Nondefense Capital Goods	-0.6	0.4%	-0.2%
Industrial Production	0.0%	0.4%	0.4%
CPI	0.4%	0.3%	0.3%
PPI	0.3%	0.3%	0.2%
Consumption Deflator	0.4%	0.4%	0.3%
Leading Indicators	0.2%	0.2%	0.3%
Currency Index	1.7%	-0.6%	0.7%
Equity Index	1.3%	1.6%	3.7%
Real GNP (annual rate)	-0.6%	1.8%	1.5%
M1 (annual rate)	15.2%	2.4%	4.4%
M2 (annual rate)	4.8%	5.5%	4.8%

* auto sales in millions

COMMENTARY

EMPLOYMENT-Initial claims finally approached non-recessionary levels in late May, as claims rose only 445,000. However, the insured unemployment rate reached a recessionary high of 3.4%, suggesting that few recently laid-off workers are being recalled. April's surge in household employment that led to a decline in unemployment probably was a sampling distortion. Therefore, some adjustment toward more normal conditions is likely in May. Even so, substantial discrepancy has arisen between the payroll and household estimates of employment. Although hours worked in manufacturing increased modestly, hours continued to fall in the private economy. A further dip is expected next month. Part of the sharp rebound in hourly earnings during April reflects composition changes as auto employment actually increased by 13,000. The decrease in total manufacturing employment was heavily concentrated in overhead, as production workers declined only 24,000 while total manufacturing fell 42,000.

PERSONAL INCOME AND OUTLAYS-Despite the increase in hourly earnings, wage and salaries grew less than expected in April. A smaller than expected gain in service employment along with further declines in construction accounted for most of the surprise. No impact from minimum wage requirements was apparent in wages received in the distributive industry. Farm subsidies were less than last month but remained unusually large. Further decreases in such subsidies are expected through the summer. Property income continues to deteriorate because of the drop in interest rates. Further declines also are expected here through the summer. As unemployment slows its rise, transfer payments also will not grow as sharply as in the past. These are the basic reasons why personal income should increase more slowly relative to wages than in the past year.

Most of the strong gains in durable retail sales have not been reflected in consumption of durable goods. This discrepancy has been consistent since fall, but should become less prevalent later this year. Why the consumption rate trails the retail sales rate remains a question. Of course, the discrepancy between unit auto sales and dealer sales of autos reflects the fleet sales of cars and the servicing activity at the dealerships. When sales are sluggish, dealer sales fall less than unit sales. The reverse happens when sales pick up. No discrepancy between retail and consumption of nondurables is apparent. Prices have restrained growth here, but prices are beginning to rebound and no sales rebound has followed. This sluggish growth in nondurables remains a surprise when durable sales begin rebounding. Services have picked up with activity in the financial markets. Also, medical services continue to grow vigorously. Because of the sharp slump in January sales, there is little doubt that consumer spending will grow significantly during the spring.

The one constraint upon further consumer spending is the low level of savings. Savings currently are projected to reach a low of 3.4% during May. Some gains are expected after that, but the degree of improvement is so modest to suggest further consumption weakness could materialize following the second quarter rebound.

CONSTRUCTION-Housing permits were corrected to show a third increase in April. Therefore, the curious result that starts grew most strongly in the West while permits were weakest there has been adjusted. Multi-family activity remains surprisingly weak. Indeed, permits suggest that further declines are possible. Housing sales are rebounding, but the gain to 500,000 in April was only a 1.2% increase. This will not support the 47% annualized gain in single family starts projected for the spring. Therefore, sales must rebound further or the housing recovery soon will sputter. At least, the decline in median housing prices has ended. Stability of property values could add to housing activity in the months ahead if mortgage drift down to 9%, as expected.

Falling residential activity led to a large drop in construction spending during the winter than in the fall. However, the improvement in housing starts suggests that housing will be adding to construction activity during the next few months. The weakness in public construction may have been the result of several unrelated and unsustainable events. If so, a rebound in public activity is likely in the spring. However, no rebound in nonresidential construction is likely soon. Weakness is widespread in the nonresidential sector, with the greatest declines in hotel, commercial and industrial properties.

Construction prices continued to fall in March, adding to the affordability of construction product. At some point, this price decline along with falling interest rates should generate some construction demand. When it occurs, prices should begin rebounding. Nevertheless, activity should remain sufficiently sluggish to restrain construction prices into 1992.

BUSINESS ACTIVITY-Strong shipments occurred at the expense of some inventories in process while materials continued to be held in minimal supplies. The April dip in manufacturing inventories suggest that inventory liquidations are continuing. Indeed, the swing in the inventory-values suggests that liquidation of inventories could be nearly as extensive in the spring as during the winter. At this point, inventory accumulation will be so far below sales that some rebound should be expected.

Defense shipments are expected to remain weak for the remainder of this year. The Persian Gulf conflict exhausted less ordnance and equipment than expected. With the current downsizing of the military, no early rebound in defense spending is likely. The rebound projected for early next year reflects shipments of aircraft, which will respond more slowly to the downsizing effort.

The large discrepancy between shipments and orders of nondefense capital goods creates concern about whether those shipments can rise. Most of the drop in orders has been in aircraft, where the backlog remains large, even if it is shrinking. Moreover, those weak aircraft orders will not impact activity for two or three years. However, orders still are $1.1 billion below shipments if aircraft is excluded. This certainly is an area where economic weakness can be greater than projected.

Fortunately, machinery orders and orders for electronic components have been strong enough to overcome the weakness in capital goods. Some gains currently are projected for those orders during the spring. This is a substantial reversal of the 14% decline in durable goods orders experienced in the past year.

PRICES-Although the rebound in oil prices created a rise in energy prices, all other consumer prices have continued to moderate. This is normal for the early stages of an economic recovery. Indeed, consumer prices should show their smallest gains during the second quarter. While prices of durable goods are expected to rebound in the summer, the gains should not be substantial. Moreover, prices of consumer services continue to moderate. Higher energy prices will raise commodity inflation, but this will be offset by slowing service price inflation. Thus, a 3% gain in the PPI should only mean a 3.3% increase in the CPI. By contrast, the CPI grew 4.9% during the past twelve months while the PPI grew a similar 3.1%. Because of shifting composition, the GNP deflator will continue to grow nearly 4%.

MISCELLANEOUS-As mentioned earlier, the improvement in the trade balances has been largely the result of slowing imports because of the recession. Also, oil volumes continue to be below normal. In March, only 216 million barrels were imported. Normally, nearly 250 million would be needed monthly. Thus, some deterioration should be expected in the trade balances even without dollar changes. The currency rebound also should reduce competitiveness of American goods while slowing economies abroad should restrain export opportunities. Of course, a deterioration in the trade deficit will restrain further dollar gains. Also, the dollar benefitted from the pledge payments for the war. Thus, some weakness in the dollar could materialize this summer. If all this develops, our trade deficits will only rise to $6 billion per month and again begin declining by the summer of 1992.

The leading indicators almost certainly will record a substantial increase this quarter. Further increases are possible in subsequent quarters. Most of the gain has been in psychological variables, such as consumer sentiment and stock values. In recent months, however, building permits also have materialized. Money growth has been less significant, growing early in the year after inflation adjustment but beginning to slow again.

FINANCIAL MARKETS

Weakness in the demand for money has led to declines in short-term interest rates as the Federal Reserve has responded by lowering their federal funds target. The recovery is not yet assured. Therefore, further declines in short-term interest rates are possible. However, no further decrease in the discount rate is expected. As the recovery develops late in the year, some restraint by the Federal Reserve may surface to prevent inflationary forces from reappearing. Certainly, changes are not expected to sufficient to stimulate another change int he prime rate until early next year, when an increase is likely.

Long-term interest rates have not declined as much as expected. Inflationary fears have been cited as preventing the decline, largely because the economic recovery is expected to raise prices. In fact, recoveries do not generate inflation, bottlenecks and economic friction do. Certainly enough unemployed skilled workers and underutilized equipment exist to insure that inflation will not develop.

Part of the upturn in interest rates also has been attributed to tight monetary policy abroad, especially in Germany. To be sure, the Germans have been talking about increasing interest rates, although the new head of the Bundesbank suggests that falling interest rates elsewhere may forestall any need to raise rates in Germany. However, if our interest rates were being pressured upward because of higher rates abroad, the dollar would be declining in value. In fact, the dollar has been rallying strongly. Thus, international interest rate pressures have not dictated our rates at this time.

Aside from misguided inflationary fears, interest rates have been rising because of the heavy borrowings by the government. Apparently, these borrowings have more than offset the reduced corporate borrowings as they restrain capital spending and liquidate inventories. Further government borrowing pressures should not surface until the end of July. This provides a window of borrowing opportunity that many corporations are using to replace higher and unpredictable bank debt. Therefore, long-term rates should fall further into the summer, but the magnitude of decline should be modest.

EQUITY MARKETS-If interest rates fall during the next two months, the stock market could rally to a Dow Jones in excess of 3100. Also, corporate profits soon should rebound, although the magnitude of recovery will be less than normally experienced despite the heavy cost cutting. This is the result of a sluggish economic recovery. The stock market already is rotating from defensive issues, such as utilities, consumer goods, and drugs, to the cyclicals such as auto production and metals production. However, the cyclical technology stocks have not joined in this rebound, suggesting that the market leadership is not complete. Thus, some profit taking certainly is possible during the next few months. Indeed, a decline to less than 2800 remains likely in the fall. However, the profit gains and some rebound in the dollar's value next year should allow further gains in stock market values. The market remains ahead of economic conditions.

Interest sensitive issues probably should no longer be overweighted in the portfolio. Some technology issues should be bought on any pullback from current market levels. Caution remains appropriate for multi-national issues. Although some gains remain likely in regional banks, which are still slightly undervalued, opportunities are becoming more difficult to uncover. For that reason, caution remains appropriate at these high levels.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate	Hourly Earnings	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	Proj	AR%
October	110432		123.1		117733		5.7	10.12	
November	110165	-1.7	123.4	-4.4	117386	-0.9	5.9	10.14	2.1
December	110004		124.0		117574		6.1	10.19	
January 1991	109813		121.8		116922		6.2	10.19	
February	109527	-2.4	122.2	-5.4	116918	-2.4	6.5	10.21	2.5
March	109286		121.4		116754		6.8	10.24	
April	109162		121.0		117398		6.6	10.29	
May	109125 *	-1.4	120.9 *	-2.7	117146 *	1.3	6.8 *	10.32 *	4.2
June	109148		121.0		117155		6.9	10.35	
July	109213		121.1		117196		6.9	10.39	
August	109273	0.4	121.2	0.7	117243	0.0	6.9	10.42	3.9
September	109311		121.2		117268		7.0	10.45	
October	109394		121.3		117306		7.0	10.49	
November	109465	0.7	121.3	0.7	117351	0.4	7.1	10.52	3.9
December	109537		121.5		117402		7.1	10.55	
January 1992	109601		121.6		117463		7.1	10.59	
February	109664	0.7	121.7	1.1	117514	0.6	7.1	10.62	4.0
March	109733		121.8		117596		7.0	10.66	
Chng Mar(92)/Mar(91)		0.4		0.3		0.7	0.9 #		4.1
Chng Mar(91)/Mar(90)		-0.8		-2.4		-1.3	0.4 #		3.1

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	4.696		2.732		152.5		3.982		3.830	
November	4.716	3.5	2.732	0.8	166.1	-9.7	4.001	3.2	3.835	3.9
December	4.743		2.754		183.9		4.022		3.839	
January 1991	4.725		2.740		185.4		4.006		3.820	
February	4.735	1.6	2.740	0.3	166.1	-7.8	4.017	1.7	3.850	2.1
March	4.752		2.744		140.9		4.033		3.892	
April	4.755		2.749		145.9		4.033		3.887	
May	4.765 *	3.0	2.757 *	2.5	138.8 *	-38.4	4.040 *	3.0	3.901 *	5.1
June	4.799		2.768		151.5		4.071		3.919	
July	4.821		2.783		149.7		4.089		3.939	
August	4.838	5.6	2.795	5.3	144.4	-2.2	4.102	5.5	3.958	5.8
September	4.857		2.805		139.7		4.118		3.978	
October	4.881		2.819		142.7		4.139		3.996	
November	4.902	5.4	2.829	5.2	140.5	-6.0	4.157	5.5	4.016	5.9
December	4.926		2.843		143.9		4.177		4.033	
January 1992	4.952		2.858		151.7		4.205		4.053	
February	4.973	5.9	2.869	5.8	155.6	42.9	4.228	6.9	4.072	5.8
March	4.998		2.884		159.6		4.251		4.091	
Chng Mar(92)/Mar(91)		5.2		5.1		13.3		5.4		5.1
Chng Mar(91)/Mar(90)		3.4		2.8		-32.6		2.8		4.6

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.
is the percentage change in the labor force

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	3720.6		474.6		1216.2		2029.8		2675.3	
November	3725.6	4.0	468.7	-10.1	1219.3	3.7	2037.6	7.0	2672.1	-3.4
December	3728.6		462.2		1212.5		2053.9		2672.9	
January 1991	3710.7		439.7		1205.9		2065.1		2644.9	
February	3740.8	2.1	452.8	-12.3	1215.4	-1.2	2072.6	7.7	2660.4	-1.3
March	3782.2		467.8		1215.8		2098.6		2688.1	
April	3777.9		455.8		1210.6		2111.5		2680.4	
May	3791.9 *	5.3	457.0 *	3.4	1214.5 *	0.8	2120.4 *	8.4	2681.6 *	2.7
June	3810.0		458.9		1219.6		2131.5		2685.4	
July	3829.8		460.9		1223.7		2145.2		2691.7	
August	3848.2	6.0	462.9	5.3	1228.2	4.4	2157.1	7.0	2697.9	2.4
September	3868.3		465.7		1232.3		2170.3		2705.9	
October	3886.5		467.8		1235.4		2183.3		2711.5	
November	3906.3	6.0	470.8	6.3	1239.9	3.7	2195.6	7.3	2717.5	2.7
December	3923.2		472.2		1242.6		2208.4		2721.3	
January 1992	3943.0		474.5		1247.4		2221.1		2727.7	
February	3961.5	5.9	477.5	5.8	1250.5	3.7	2233.5	7.2	2733.3	2.4
March	3980.7		478.8		1254.1		2247.8		2737.6	
Chng Mar(92)/Mar(91)		5.2		2.4		3.1		7.1		1.8
Chng Mar(91)/Mar(90)		5.1		-3.0		3.2		8.3		0.3

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	151.75		22.57		9.3		97.69		31.49	
November	151.75	0.2	22.27	-5.1	8.7	-28.0	98.29	3.8	31.19	1.8
December	149.06		21.81		8.9		97.29		29.96	
January 1991	147.81		21.71		7.6		96.91		29.19	
February	151.10	-1.7	22.48	1.1	8.3	-30.1	97.86	-1.1	30.76	-5.9
March	151.67		22.65		8.7		97.72		31.30	
April	151.54		22.87		7.9		97.28		31.39	
May	152.03 *	5.1	22.81 *	11.2	8.4 *	3.3	97.63 *	0.6	31.59 *	15.8
June	152.67		22.96		8.5		98.04		31.67	
July	153.24		23.02		8.6		98.37		31.85	
August	153.84	4.8	23.15	4.7	8.6	19.0	98.73	4.5	31.96	5.7
September	154.50		23.27		8.7		99.06		32.17	
October	155.00		23.35		8.6		99.31		32.34	
November	155.72	4.6	23.47	4.7	8.7	4.7	99.67	3.7	32.58	7.4
December	156.10		23.42		8.9		99.89		32.79	
January 1992	156.76		23.61		8.8		100.27		32.88	
February	157.37	4.5	23.78	6.1	9.0	9.5	100.52	3.7	33.07	5.6
March	157.81		23.89		9.0		100.81		33.11	
Chng Mar(92)/Mar(91)		4.0		5.5		3.4		3.2		5.8
Chng Mar(91)/Mar(90)		1.2		-2.2		-9.4		3.1		-2.2

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CONSTRUCTION

	Housing Starts		Single Family Starts		Multi-Family Starts		Housing Permits	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	1.026		0.839		0.187		0.925	
November	1.130	-26.8	0.769	-28.7	0.361	-19.0	0.916	-45.0
December	0.971		0.751		0.220		0.854	
January 1991	0.847		0.648		0.199		0.802	
February	0.992	-41.0	0.788	-28.1	0.204	-70.1	0.876	-17.3
March	0.901		0.736		0.165		0.892	
April	0.957		0.778		0.179		0.913	
May	0.988 *	34.5	0.803 *	47.6	0.185 *	-7.5	0.910 *	30.1
June	1.006		0.813		0.193		0.922	
July	1.004		0.824		0.180		0.936	
August	1.017	14.9	0.831	17.8	0.186	2.9	0.945	13.9
September	1.034		0.839		0.195		0.955	
October	1.039		0.842		0.197		0.959	
November	1.045	11.5	0.845	7.6	0.200	30.0	0.968	9.5
December	1.055		0.853		0.202		0.974	
January 1992	1.058		0.850		0.208		0.978	
February	1.079	12.0	0.864	6.9	0.215	35.3	0.988	8.7
March	1.092		0.869		0.223		0.996	
Chng Mar(92)/Mar(91)		21.2		18.1		35.2		11.7
Chng Mar(91)/Mar(90)		-30.6		-25.5		-48.3		-27.6

	Non-Residential		Public Construction		Residential Construction		Construction Expenditures		Real Construction Expenditures	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	134.8		110.8		174.6		420.2		379.6	
November	132.6	-21.1	113.9	9.8	169.3	-22.9	415.8	-13.4	375.9	-12.9
December	130.7		111.2		164.8		406.7		368.1	
January 1991	130.7		103.6		161.9		396.2		358.6	
February	132.4	-6.8	109.8	-16.0	155.1	-26.2	397.3	-17.5	359.9	-16.7
March	128.1		108.2		154.5		390.8		354.9	
April	128.5 *		109.4 *		156.1 *		394.0 *		357.5 *	
May	127.4	-8.0	110.3	11.5	156.0	1.5	393.7	0.9	356.9	0.9
June	127.2		110.8		161.1		399.1		361.2	
July	127.5		111.6		162.6		401.7		362.9	
August	127.8	0.6	112.5	8.9	163.3	15.1	403.6	8.5	364.3	6.6
September	128.4		113.5		164.1		406.0		365.8	
October	129.1		113.9		164.9		407.9		366.8	
November	128.6	3.5	114.4	6.4	165.3	5.1	408.3	4.9	366.5	2.9
December	129.3		114.6		165.9		409.8		367.5	
January 1992	129.8		115.3		167.0		412.1		368.6	
February	130.4	4.0	115.9	6.0	168.4	7.4	414.7	5.9	370.3	3.7
March	130.6		116.7		169.8		417.1		372.0	
Chng Mar(92)/Mar(91)		2.0		7.9		9.9		6.7		4.8
Chng Mar(91)/Mar(90)		-8.8		-1.5		-25.1		-14.1		-14.7

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BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	391.5		129.46		38.55		33.57	
November	392.0	0.4	116.32	-14.1	32.73	19.3	33.92	0.1
December	388.8		120.22		38.56		32.72	
January 1991	388.4		117.79		33.96		31.72	
February	388.5	-3.2	117.55	-18.8	33.76	-32.2	32.21	-18.1
March	386.0		112.12		31.94		31.41	
April	385.3		115.44		28.71		31.85	
May	384.9 *	-2.2	118.56 *	4.7	29.51 *	-36.7	31.67 *	-0.1
June	386.2		117.49		30.66		31.80	
July	387.4		117.81		30.83		31.73	
August	388.9	3.6	117.73	2.8	31.08	22.3	31.88	1.4
September	390.4		118.42		31.55		32.05	
October	392.1		118.57		31.89		32.01	
November	394.0	5.3	117.68	1.3	31.47	8.1	32.17	3.2
December	395.8		118.89		31.94		32.23	
January 1992	397.9		119.22		32.17		32.54	
February	398.8	5.2	119.02	3.5	32.00	5.6	32.41	4.7
March	400.3		119.93		32.43		32.58	
Chng Mar(92)/Mar(91)		3.7		6.5		1.5		3.7
Chng Mar(91)/Mar(90)		0.3		-14.4		-12.2		-1.3

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	824.3		8.77		109.9		83.0	
November	826.1	-0.3	9.23	4.2	108.3	-7.4	81.6	-10.4
December	826.9		8.80		107.2		80.6	
January 1991	831.4		8.20		106.6		80.0	
February	828.2	0.6	8.57	-17.5	105.7	-9.6	79.1	-11.8
March	821.6		8.77		105.0		78.5	
April	819.2 *		8.53		105.1		78.3	
May	820.5	-3.0	8.46 *	-2.3	105.1 *	-2.0	78.1 *	-4.8
June	822.8		8.40		105.5		78.3	
July	824.7		8.42		105.9		78.5	
August	827.3	3.3	8.45	-2.5	106.3	4.0	78.6	1.7
September	830.4		8.36		106.6		78.6	
October	833.9		8.40		107.0		78.8	
November	837.2	4.8	8.44	1.9	107.3	4.1	78.9	1.9
December	840.5		8.51		107.7		79.1	
January 1992	843.8		8.55		108.0		79.1	
February	846.7	4.7	8.59	5.5	108.3	3.7	79.2	1.4
March	850.2		8.55		108.6		79.3	
Chng Mar(92)/Mar(91)		3.5		-2.5		3.4		1.0
Chng Mar(91)/Mar(90)		1.3		-3.7		-3.6		-6.1

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
October	133.4		122.3		121.3		132.8	
November	133.8	6.9	122.8	4.4	120.7	16.1	133.1	2.8
December	134.2		122.1		118.9		133.3	
January 1991	134.8		122.0		116.8		134.4	
February	135.1	3.5	121.3	-3.2	115.2	-14.4	134.8	5.2
March	135.0		120.9		115.1		135.2	
April	135.2		121.4		115.0		135.4	
May	135.7 *	2.1	121.8 *	1.3	115.2 *	-1.4	135.9	3.2
June	136.1		122.2		115.7		136.3	
July	136.5		122.4		116.3		136.8	
August	136.9	3.5	122.6	2.7	117.0	3.4	137.2	3.8
September	137.2		122.8		115.5		137.5	
October	137.5		123.1		117.6		137.8	
November	137.9	3.2	123.4	2.5	118.0	6.1	138.4	3.5
December	138.3		123.7		118.4		138.8	
January 1992	138.7		123.9		118.7		139.1	
February	139.1	3.4	124.2	2.8	119.0	3.4	139.7	3.9
March	139.5		124.5		119.3		140.1	
Chng Mar(92)/Mar(91)		3.3		3.0		3.6		3.7
Chng Mar(91)/Mar(90)		4.9		3.1		2.1		4.2

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
October	139.1		112.9		134.6		150.2		110.7	
November	139.4	7.1	112.7	1.6	135.0	11.0	150.6	5.4	110.6	-1.0
December	139.5		112.6		135.2		150.4		110.5	
January 1991	140.3		112.4		135.4		151.5		110.5	
February	140.6	3.5	113.1	0.8	135.3	0.8	152.2	4.7	110.4	-1.0
March	140.7		113.4		134.9		152.7		110.1	
April	140.9		113.0		135.1		152.9		110.2 *	
May	141.4 *	2.5	113.2 *	0.9	135.6 *	1.2	153.4 *	3.4	110.3	0.0
June	141.9		113.5		136.1		153.9		110.5	
July	142.3		113.7		136.3		154.5		110.7	
August	142.6	3.5	113.9	2.3	136.5	2.8	155.0	4.1	110.8	1.8
September	143.0		114.0		136.8		155.4		111.0	
October	143.3		114.1		137.1		155.9		111.2	
November	143.7	3.2	114.3	1.6	137.5	2.8	156.4	3.8	111.4	1.9
December	144.2		114.6		137.8		156.9		111.5	
January 1992	144.6		114.8		138.1		157.4		111.8	
February	144.9	3.4	115.0	2.5	138.4	2.7	157.9	4.0	112.0	2.2
March	145.4		115.3		138.7		158.5		112.1	
Chng Mar(92)/Mar(91)		3.3		1.7		2.8		3.8		1.8
Chng Mar(91)/Mar(90)		4.5		0.9		4.5		4.9		0.3

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj
October	-9.90		141.5		5520		4157		-23.8
November	-9.54	-25.8	139.7	-11.4	5525	0.9	4150	-1.6	-16.2
December	-6.32		139.6		5538		4154		-7.9
January 1991	-7.38		138.8		5548		4129		5.6
February	-5.50	81.3	140.4	-0.2	5563	2.4	4126	-2.6	13.4
March	-4.05		141.4		5573		4123		10.5
April	-4.73 *		142.2		5578		4119		2.3
May	-5.46	31.5	142.5 *	6.7	5593	2.6	4117	-0.6	-1.8
June	-5.21		142.8		5618		4123		-4.6
July	-5.56		143.2		5648		4128		-7.5
August	-5.89	-55.2	143.4	2.6	5681	6.3	4142	2.3	-8.7
September	-5.74		143.7		5717		4159		-10.6
October	-6.27		143.4		5748		4171		-13.0
November	-6.23	-56.9	143.8	1.0	5777	6.6	4174	3.1	-11.6
December	-6.74		144.2		5799		4179		-11.8
January 1992	-6.61		144.6		5839		4197		-12.4
February	-6.42	-1.3	144.9	3.1	5874	7.3	4205	3.3	-12.4
March	-6.27		145.2		5918		4224		-13.1
Chng Mar(92)/Mar(91)		-54.8		2.7		6.2		2.5	
Chng Mar(91)/Mar(90)		53.0		-2.5		3.5		-0.6	

	Currency Index		Adjusted Profits		30 - Year Government Bonds		New York Composite	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
October	83.43		160.9		8.86		168.05	
November	82.12	-19.0	163.5	2.0	8.50	-11.4	172.21	-21.1
December	83.35		162.8		8.24		179.57	
January 1991	83.51		159.1		8.27		177.95	
February	82.12	8.0	163.1	-2.8	8.03	-14.9	197.75	54.2
March	88.12		161.5		8.29		203.57	
April	89.67		158.3		8.21		207.78	
May	91.17 *	30.9	158.5	-5.2	8.25 *	0.7	210.57 *	42.0
June	90.58		160.6		8.17		214.03	
July	91.22		162.7		8.04		221.89	
August	89.61	-4.8	162.3	10.8	8.13	-3.8	215.03	9.6
September	87.24		164.7		8.22		210.18	
October	85.56		163.8		8.21		205.27	
November	86.14	-11.5	166.6	7.4	8.24	6.4	209.32	-10.7
December	88.28		168.2		8.32		214.51	
January 1992	88.91		170.0		8.39		216.62	
February	89.43	13.6	170.3	10.0	8.43	8.3	217.14	15.3
March	90.07		170.3		8.45		218.19	
Chng Mar(92)/Mar(91)		2.2		5.4		1.9		7.2
Chng Mar(91)/Mar(90)		-6.4		-3.5		-3.5		9.3

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	318.0		821.1		3324.5		8.11		7.16	
November	320.0	9.5	823.4	4.4	3324.7	3.2	7.83	-4.0	7.05	-16.3
December	322.0		825.3		3329.8		7.31		6.70	
January 1991	326.8		826.8		3333.0		6.91		6.28	
February	332.8	14.9	836.3	6.0	3357.1	3.6	6.25	-52.7	6.20	-40.0
March	334.4		843.0		3378.1		6.12		5.92	
April	333.3		842.2		3383.8		5.91		5.71	
May	334.6 *	4.0	852.2 *	6.9	3397.0 *	5.1	5.76 *	-35.2	5.62 *	-29.3
June	335.9		853.9		3412.2		5.63		5.54	
July	337.0		857.0		3425.6		5.57		5.49	
August	338.5	4.9	861.8	5.6	3438.6	4.9	5.53	-12.3	5.45	-10.3
September	340.3		864.7		3450.9		5.64		5.48	
October	342.1		868.2		3463.7		5.78		5.52	
November	344.0	6.6	873.4	5.5	3480.1	4.9	5.93	29.3	5.67	14.9
December	346.1		876.7		3494.6		6.14		5.81	
January 1992	348.0		880.4		3510.2		6.12		5.96	
February	349.7	6.8	883.3	5.0	3522.8	5.2	6.18	15.9	6.04	29.4
March	351.5		886.5		3538.1		6.22		6.13	
Chng Mar(92)/Mar(91)		5.1		5.2		4.7		1.6		3.5
Chng Mar(91)/Mar(90)		10.2		4.7		3.3		-26.6		-20.4

	AAA (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Papers		90 Day CD's		Prime Rate	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	9.53		7.49		7.98		8.06		10.00	
November	9.31	-4.5	7.16	-3.6	7.85	-3.3	7.98	-4.4	10.00	0.0
December	9.05		7.09		7.80		7.82		10.00	
January 1991	9.04		7.08		7.10		7.17		9.52	
February	8.83	-14.7	6.91	-11.4	6.49	-48.7	6.60	-48.4	9.05	-28.7
March	8.93		7.10		6.41		6.45		9.00	
April	8.86		7.02		6.07		6.06		9.00	
May	8.85 *	-4.5	6.95 *	-6.3	5.93 *	-37.3	5.94 *	-39.1	8.55 *	-20.3
June	8.78		6.78		5.80		5.86		8.50	
July	8.75		6.74		5.75		5.81		8.50	
August	8.77	-1.2	6.75	-7.9	5.68	-13.4	5.77	-9.7	8.50	-8.2
September	8.89		6.84		5.74		5.83		8.50	
October	8.88		6.85		5.85		5.90		8.50	
November	8.93	6.8	6.92	9.4	6.11	25.1	6.16	22.1	8.78	12.8
December	9.04		7.02		6.20		6.24		9.00	
January 1992	9.11		7.13		6.23		6.30		9.00	
February	9.16	9.4	7.17	14.4	6.20	12.7	6.29	15.2	9.00	11.4
March	9.19		7.20		6.28		6.37		9.00	
Chng Mar(92)/Mar(91)		2.9		1.4		-2.0		-1.2		0.0
Chng Mar(91)/Mar(90)		-5.0		-3.0		-21.7		-21.6		-10.0

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